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Below is a copy of my annual address to the Springfield District Council on the major issues impacting Fairfax County and my thoughts on them. I welcome your feedback and comments.

Supervisor Pat Herrity

2013 Annual State of the County Address

Looking Back

2012 was a year full of surprises, some good, some not so good. With the backdrop of the Presidential and federal elections many of the issues raised at the national level mirrored those that we at the County had to deal with; namely our fiscal situation, regulatory policies, and infrastructure.

2012 was also a year of surprises for me personally. As I approach the one year anniversary of my open heart surgery I am grateful to have made a full and speedy recovery, to be here and to be able to continue to serve you.

As we enter 2013 and look ahead to the challenges facing us this coming year, this is also a good time to reflect on some of the progress we have made over the last year. Despite our struggles, we in Fairfax County continue in relative prosperity as the rest of the nation continues to suffer some of the worst unemployment and economic distress in our nation's history. And with the potential for sequestration we are reminded that our future success in Fairfax County is not guaranteed.

Cutting Spending and Homeowner Taxes

In the seven years before I joined the Board taxes on the average homeowner doubled from \$2,400 to over \$4,800. We have made some progress; taxes on the average homeowner in the 2012 budget were \$ 4,746, lower than when I took office. But I am continuing the fight for lower homeowner's taxes. Some of the actions I have taken to keep taxes low include:

- Presenting alternative budgets and proposing spending cuts totaling over \$150 million while not impacting the delivery of essential services.
- Laying the groundwork for the FY 2010 budget where I lead a bi-partisan effort resulting in approximately \$100 million in budget cuts and a tax decrease for the average homeowner.
- Negotiating with my colleagues to end the misguided "Penny for Affordable Housing" program which cost taxpayers over \$200 million and subsidized government housing for people making more than \$100,000 per year.
- Leading the effort to "Change the Equation" on the school budget by insisting that our education dollars are spent on our students, classrooms and teachers and not on administration.
- Calling for the common sense consolidation of duplicative County and School services to reduce costs and streamline processes.
- Leading the fight against the county implementing a "meals tax" and purchasing the Gatehouse school administration building.

There is much more work to be done in this area to give our homeowners relief from the enormous tax burden placed on them in the seven years before I was elected to the Board.

Reducing Government Regulation

I have worked hard and been successful at reducing some of the regulations on our businesses and homeowners, in my first term I was able to reduce the requirement for a full scale grading plan costing homeowners \$15,000 for simple home improvement projects and rolled back some of the many pages in the tree ordinance. These regulations result in increases to the County budget, increases in costs to homeowners and businesses, and increases in the cost of housing. Some of my specific accomplishments in 2012 include:

Halting the dancing hall regulations: In March of last year the Board almost passed a motion to require business owners to have to apply for a special use permit in order to have a space for dancing in their establishment that was over the size of 150 square feet. This permit would have cost businesses \$16,000 to apply for, and that is before architect, consulting and legal fees and wasted time in the application process. Like much regulation, this proposal was because of one bad actor. I led the effort on the Board to not punish the many because of the actions of a few and to let common sense prevail - the regulation was not passed.

Stopping EPA's ridiculous Accotink Creek regulations: I was proud to be one of the leaders on the Board in advocating for the County's successful lawsuit against the EPA. The EPA wanted to regulate the amount of water flow into the Accotink Creek - yes the flow of water - not pollution or sediment - the flow of water as a pollutant. This was an arbitrary decree from the federal government and could have cost taxpayers in excess of \$300 million. Protecting the environment is of the utmost importance to me. However, regulating water flow through unnecessary mandates is unlawful and wasteful and worst of all could not be shown to actually improve the creek or the Chesapeake Bay.

Standing up for our child care providers: Several months ago the Office for Children proposed several changes to current regulations as a part of routine updates and also to comply with new state regulation that just didn't make sense. The proposed child care regulations, like other County small business regulations, would have placed unnecessary strain on providers and push them out of business or worse, force providers to provide services without a license. I was successful in getting the Board to drop some of the proposed new requirements such as \$650 landline phone requirement - especially in the age of cell phones.

I have also advocated for an increase in the maximum number of children a provider can care for without a permit, lowering the \$1,100 application fee, simplifying the application, and streamlining the process and requirements for a special permit. As I heard in my Child Care and Parents Town Hall

in 2012 the new enforcement of these regulations is likely to impact the availability of licensed child care in Fairfax County. This issue is still ongoing and will be decided in the spring.

Helping our small businesses: I am proud to say I was able to help a large number of business and homeowners navigate the maze of County regulations and inspections. This has become an increasing source of frustration to our citizens and is an area that I will continue to address in 2013.

Protecting Our Neighborhoods

One of the things that make Fairfax County great is our suburban neighborhoods. While much is made of the drive toward urbanization we need to remember that the majority of the County will remain suburban and we need to work to protect the quality of life here.

Ending the blight of illegal road signs: I initially brought this issue to the Board's attention in December of 2011 asking the Board to endorse a change in the Virginia Code that would allow the County to be able to act on behalf of VDOT in regards to signs like every other jurisdiction in Virginia. At that time the Virginia Code imposed certain limitations on Fairfax County's authority to remove political signs from VDOT rights-of-way that did not apply to any other County. With the help of Delegate Dave Albo this "Fairfax exception" was removed from the State Code in July of 2012, and since that time I have continued to press the County to draft and sign a resolution with VDOT to give us the authority to get the job done - this final agreement is expected to be voted on by the Board on February 26th. In the meantime, a combination of self-enforcement by political parties and candidates and actual enforcement by VDOT has helped significantly reduce this blight on our communities.

Fighting Lyme disease: In May I had the opportunity to visit one of twenty 4-Poster bait stations that I pushed for that are deployed throughout the County. These stations are designed to combat Lyme disease by transmitting an insecticide to deer. These stations are a part of a three year long program that the County is piloting. While there is not yet any available preliminary data from our particular program, other programs identical to this have been done across the nation. [An article in the New York Times](#) discusses one such program and points out that a more than 90% reduction in the local tick population was seen after the 4-Poster stations were deployed for three years. It is important to note that the insecticide, which is commonly used in head lice shampoos, does not permeate the hide of the deer. While scientists in New York did note that there are many other factors that contribute to the spread of Lyme disease, a dramatic reduction in the number of ticks could cause a significant drop in the number of Lyme disease cases. Eradicating this debilitating disease in Fairfax County would be a major win for our quality of life.

Making Transportation a County Priority

Our residents spend far too much of their time stuck in traffic. A recent study by the Texas A&M Transportation Institute ranked the DC area as the most congested region in the country, with 30 minutes trips sometimes taking up to 3 hours. As a transportation advocate for the last 26 years, I have pushed to make transportation a county priority and continue to support common sense transportation solutions.

More progress on I-66: Finding short term and long term solutions to the congestion on I-66 continues to be one of my top transportation priorities. When I took office in 2008 no one was pushing for solutions on I-66 outside the beltway - one of our most congested corridors. In 2008, I developed a 4 part plan to begin solving the problem, and so far we have been able to extend HOV hours, open the slip ramps at Monument and Stringfellow for non-HOV drivers in non-HOV hours, and get the Environmental Impact Statement (EIS) restarted which will allow us to ask the private sector for solutions to I-66 congestion. The draft EIS was just completed last week.

Moving forward on the Fairfax County Parkway: I have also been a leader in addressing the growing congestion on the Fairfax County Parkway. Working with VDOT and state and local leaders I

have been able to accelerate the completion of the Fair Lakes/Fairfax County Parkway Interchange, have a safety study conducted which is resulting in updated safety features on the Parkway, upgraded the Parkway from a Secondary to a Primary road to bring additional state construction and maintenance funding, and get funding for the North Loop at Rolling Road. I started a visioning process for the future of the Parkway with a Town Hall Meeting to get in front of the problem of future congestion and gauge public interest on the future look and use of the road. Most recently I had the Board request VDOT perform a Corridor Improvement Study on the Parkway so we can put all options of relief on the table.

Celebrating the Express Lanes: In 2012 I was also happy to see the completion of the 495 Express Lanes, a project and concept that I have been an advocate for since my days as the founding member and chairman of the Fairfax County Chamber of Commerce's Transportation Choices Committee almost two decades ago. The 495 Express Lanes are proving to be a big win for Northern Virginia commuters and this private sector solution saved us \$2B, and 1,800 homes. I was able to speak at the groundbreaking of the 95/395 Express Lanes and hope to see a possible express lanes solution to I-66 in the near future.

Protecting Dulles Toll Road Users: I had some limited success in protecting Dulles Toll Road users. I was one of the vocal leaders in the push to eliminate the Project Labor Agreement (PLA) for Dulles Rail which would have resulted in higher labor costs and freeze on state funding for Dulles rail. On the other hand my repeated requests for an economic analysis on the effects of higher tolls on the health of the businesses and economy of the Dulles corridor were repeatedly denied by the Board. In my opinion it is essential that we keep tolls as low as possible otherwise commuters will stop using the road, and businesses will not want to locate near it. We must address this challenge head on with innovative ideas and solutions such as potentially tolling the access road and the sale of air rights for development above the new silver line metro stations.

Focusing our proffer dollars into transportation: In the 1980's and 1990's the County used proffer dollars to responsibly finance the necessary transportation improvements associated with development. In fact, much of our transportation network, including the road network in Tysons, was funded by developers. Over the past year I have voiced opposition to how we have broken from this common sense tradition; especially in the case of the new Tysons where instead of using the \$500m of developer contributions for priorities like transportation, the Board opted to create a Tysons tax district to collect \$250m of the \$2B needed in transportation improvements from the residents and businesses in Tysons Corner. I did not support the motion to establish the new tax for two reasons. The first is a fairness issue for our longtime landowners and residents. The second is that we have a clear and viable alternative to raising taxes on the businesses and residents of Tysons-- that being the restructuring of our proffer dollars to include a greater focus on transportation.

Improving Localities' Relationship with the State

In the Fall of 2011, I was honored to be selected to chair Governor McDonnell's Task Force for Local Government Mandate Review. The Task Force was charged with coming up with ways to reduce the burdens facing local governments that are imposed by the state.

In the past, the vast majority of local government relief requests have been simply asking for more money from the state. Our approach was different; we set out to identify mandates that were duplicative, unnecessarily burdensome, and unnecessary. Over a two month period, we worked with local governments, state agencies, the Governor's policy office, elected officials, and the public to identify over 80 mandates and over 40 education mandates for modification or elimination. In 2012 we were able to repeal over 20 of those identified mandates. The elimination of these 20 mandates is truly historic in that never in the Commonwealth's history has anywhere near this many mandates been repealed in a single session. These Bills represent common sense solutions that will provide fiscal relief to localities and the Commonwealth and will enable both to more efficiently serve

Virginia's residents.

Since that time the committee has continued its work in 2012 and we have put forward 20 additional mandates for review for elimination for the 2013 General Assembly Session.

Communications

I have worked hard to maintain an open line of communication with my constituents. From the regular Herrity Reports, to attending numerous civic association and community meetings, and the three well attended town hall meetings I held this year on the future of the Parkway, concussions in youth sports, the changes in child care licenses regulations. I have and will continue to work hard to be available to citizens.

Looking Forward

The county faces many challenges in the year ahead and I will be doing everything I can to help to guide us through these tough times. Below are some of my priorities for the coming year.

Budget: Getting Our Fiscal House in Order

Make Sure We Don't Balance the Budget on the Backs of our Taxpayers - It is no surprise that we are running a shortfall in the next year's budget - estimated at \$170m. Our former County Executive warned us that we will face similar shortfalls for the next several years even before the impact of sequestration. I have been a consistent voice in suggesting common sense solutions to our shortfalls, some of them detailed below, many like outsourcing I have highlighted in other Herrity Reports. I will continue to work to make sure we don't balance the budget on the backs of our already struggling taxpayers.

Preparing for Cuts in Federal Contracting - We have been largely insulated from the "Great Recession" because of the federal government. But as Congress looks to scale back the size and scope of the federal government our local economy is already feeling the impact. While we will continue to be a "government town" for as long as I can see, we need to continue to diversify our economy. I will be working to:

- Increase the funding of the Economic Development Authority and have them continue to focus on diversifying the types of businesses we attract to Fairfax County.
- We have a great opportunity to use the region's significant IT knowledge base to capture the growing health care IT and bio technology markets. This includes having wet lab space and workers trained in the right skills.
- Continue to look for ways to make the county more business friendly including reducing our regulatory burden.
- Ensuring we continue to have the best educated workforce in the nation.
- Supporting Governor McDonnell's quest to make Virginia the energy and technology hub of the east coast.
- Ensuring Dulles airport remains strong. We must continue to work to reform the MWAA Board and do what we can to limit the increases of tolls on the Dulles Toll Road.

We have done well the last few years to attract some large companies to the county such as Volkswagen, Hilton, and Intelsat - but our future success is not guaranteed. In order to keep our residential taxes low we need a large and vibrant commercial tax base.

Maintaining our AAA Bond Rating - Just like people, governments have credit ratings. And just

like people, the interest rates given to governments are determined by their credit rating. Since 1978, Fairfax County has enjoyed a perfect credit rating. Today, we are one of the 81 governments in the United States with a perfect rating; no small accomplishment considering that there are over 87,000 governments in the nation. However, our successful past does not equate to a successful future. Two of the three credit rating agencies have placed Fairfax County on a negative outlook list, and there is a possibility that in the next 6 months, we could lose our perfect rating. Last year County staff told the School Board we could not increase their bond funding by \$25M because we were reaching our limit. The Board, over my objection then added a \$30M storm water bond at a meeting against staff's recommendation. This was in addition to the \$25M added to the Park bond.

Our credit rating is not just a point of pride in our community; it is a matter of saving real money. Since 1978 it is estimated that Fairfax County has saved nearly \$500 million because of our strong credit ratings. In the event that this were to happen, this would have wide spread implications to our long term financial outlook when considering the number of capital projects we are funding. There are numerous criteria that these rating agencies look at when it comes to determining a credit rating. One of these criteria is the amount of money kept in a reserve fund should revenues not meet expectations. Since 2009, our debt has increased 34%, yet our reserve fund has only increased 4% and the amount of money we pay for debt service only increased 8.6%. In other words, we are borrowing at a much faster rate than we are paying down.

Debt financing needs to be repaid and we need to increase our reserves and carefully review our ongoing debt obligation as we prepare next year's budget. We missed the opportunity to put reserves aside when times were good. Adding to last year's debt total was not a step in the right direction.

Increasing our Commercial Tax Base - With the looming possibility of sequestration, and the ever-present potential of federal cuts, it is critically important to the health of our economy that our commercial tax base is broad and diverse. For every \$1 that a commercial entity pays in taxes, it only consumes approximately \$0.60 in services. This means that commercial tax payers are essentially subsidizing the services consumed by residential tax payers; enabling the residential property taxes to remain low. The commercial tax base also provides our residents with high quality jobs. Many years ago the Board of Supervisors has set a goal for the commercial tax base to comprise 25% of total real estate tax receipts. While the county has reached that goal in the past, today we are falling very short of that target. We need to refocus on growth of the commercial tax base as a goal.

Addressing the Growth in Pension Cost - Since 2001, the cost of pensions and benefits have ballooned 54% beyond inflation and population growth. What's worse, the size of the Fairfax County workforce has decreased by over 18%. If the workforce has decreased, why then are pension and benefit costs ballooning out of control? The answer is simple, our benefits and pension models are broken, out of date, and unsustainable. While the vast majority of private sector companies, the federal government and a few state governments have moved away from defined benefit plans in favor of more responsible defined contribution plans.

At my request, the Board authorized a study to look at whether or not moving to a defined contribution plan would be more beneficial. Instead of a robust discussion of the strengths and weaknesses of these two plans, as I hoped would occur, what the Board received fell short of my expectations to stimulate productive debate. While the Board did make some minor adjustments which should save some money beginning in FY2017, we are stuck with an unfunded \$1.7 billion pension liability. In the last 10 years, our pension funding levels have dropped from over 90% to just over 70% and the amount of money sunk into maintaining minimum funding levels in both FY2011 and FY2012 totaled more than the money cut from Parks and Libraries combined. We need to revisit converting to defined contribution plans (401k type) plans for new county employees.

Wellness Plans to Reduce Health Care Costs - Another major contributor to our increasing benefits cost is health insurance. Last year, our health insurance premiums increased over 13% (75%

more than national large employer averages) and with the impending federal health care legislation those costs are projected to increase significantly. Last fall, I proposed contracting with a wellness program provider to enhance our ability to incentivize employees to maintain a healthy lifestyle. Studies show that these programs have as much as a 3 to 1 pay off over 3 years. In Loudoun County, a similar program has been put into place and they have seen a real savings. It is estimated that 60-80% of all medical claims are a result of lifestyle choices made by people. Incentivizing good health choices (possibly with a lower premium) should be a component of a well-managed health insurance plan.

Reducing the Regulatory Burden -Recently, I have been receiving an increasing number of calls about the regulatory requirements on our homeowners and small businesses and the amount of time it takes to process simple requests. In many cases staff is redoing the work of licensed professionals costing both the applicant and the County - especially in time to get through the process. This increases the cost of housing, increases burdens on businesses and homeowners and grows the County bureaucracy. We need to work some common sense back into the process.

Transportation: A Focus on Common Sense Solutions

Proffers for Transportation - Currently, the County does not know where it is spending the contributions (proffers) developers make for the increased density in their projects. I will continue to ask the county to analyze where these funds are going and insist we focus them on our priorities. During my Dad's twelve years as Chairman of the Board of Supervisors, more money was put into transportation in Fairfax County by the private sector (primarily developers) than the federal, state and local governments combined. Times are clearly different but I think we have lost sight of our priorities. We need to return to focusing our proffer dollars on transportation. The alternative as we are likely to hear from the Board is increased County taxes. I believe we need to focus our proffer dollars on transportation before we ask taxpayers to open their wallets.

Getting a Solution for I-66 Congestion Underway - There's no other way to say it, I-66 congestion is a nightmare and we need a solution fast. Over the last several years I have worked to restart the Environmental Impact Study (EIS), extend HOV hours, open the Monument and Stringfellow ramps and open the shoulder lanes during times of congestion (coming soon). In 2013, when the EIS will be completed we need to take the next big step toward solving the congestion problem and giving our commuters transportation choices. I am working with state and local leaders to see a plan for Express Lanes for I-66 in the very near future. Much like the I-495 Express Lanes project the benefits of being able to provide additional capacity, express buses, and segregated HOV-3, along with a way to pay for it would provide significant congestion relief and provide commuters with transportation choices.

Keeping the Fairfax County Parkway from Becoming a Parking Lot - Building on the success of my well attended Parkway Visioning Town Hall Meeting I hosted last October, I have asked the Board to request VDOT to conduct a Corridor Improvement Study. This will provide a comprehensive look at what improvements need to be made to the Parkway in order to keep up with increased use and reduce congestion. The study will outline short and long term solutions, examine various methods for increasing capacity such as grade separated interchanges, adding a third lane, analyzing the feasibility of HOT and HOV lanes, and calculate which solutions will provide the greatest congestion relief. This is the next step in keeping the Parkway from becoming a parking lot.

Protecting our Neighborhoods:

Continuing the Progress on Political Signs - You should have noticed far fewer political signs in our roadways this last election season. In December of 2011 I asked the Board to endorse a change in the state code to allow Fairfax County to remove political signs from medians, and with the help of Delegate Albo we managed to get that changed in the state code. In 2013, I hope to have the agreement between the County and the VDOT formalized to allow the county to enforce the new law

and fine offenders, as well as have the level of self-compliance from the candidates running for office in 2013 that we did from those in 2012. The Board is due to finalize an agreement with VDOT at the February 26th Board meeting.

Preparing for the age wave: As Chairman of the Board's 50+ Committee, I have continued to guide the committee to define the unique challenges and opportunities in the County's overall strategy for our age wave readiness. Coordinating with the County's Commission on Aging, the Board began its work on revising the 50+ Plan. Together with the community, business leaders, health system executives, non-profit organizations serving our County's aging population, and faith communities, the Board will facilitate the creation and advancement of a community-driven, overall strategy to accelerate our age wave preparedness.

Keeping our Schools the Best in the Country - Schools are the number one reason businesses locate in Fairfax County and keeping them strong is a priority not just for Fairfax County's future success but the success of our next generation. Over the last year, I have worked closely with teachers (including my brother Tim) and school advocates to reform the way our schools teach math. It has made me more convinced we have significant challenges ahead to keep our schools top performing. We need to focus our resources into the classroom, free our teachers from the administrative burdens, and let our teachers teach.

Our schools are experiencing significant growth which is creating significant school construction and renovation needs. I remain committed to helping our schools address these needs. I believe we need to look at the way we build schools, leverage techniques such as design build, prioritize our bond efforts and work to get schools through the permitting process more quickly.

Keeping our Public Parks Public Parks - Fairfax County's parks are one of our most prized amenities. Springfield District is home to one of the most popular parks in the region, Burke Lake Park, which hosts thousands of visitors every year. I will continue to oppose fees for the use of our parks as the tool to compensate for unnecessary spending in other parts of the budget. The last thing we need to make our taxpayers do is pay even more money to enjoy our park space.

Unlocking Patriot Park - One of Springfield District's hidden gems is Patriot Park. Patriot Park is situated at the corner of Braddock Road and the Fairfax County parkway and currently has one turf field. However, the entire park is just under 100 acres in size and is planned for six more fields - three additional rectangle (soccer, football, lacrosse, rugby) fields and three - 90 foot diamonds (baseball, softball). Getting Patriot Park developed is important to the entire County as it will free up field space. I am actively working with County staff, the Park Authority, members of various athletic groups, and business leaders to creatively identify enough funding to bring this park to its full potential. At current estimates, \$9 million is needed to fully build out the park. Conservative estimates place current identified funding levels at roughly \$5 million.

Conclusion

It can't be said enough: our future success is not preordained. We certainly have the ability and resources needed to keep Fairfax County the envy of the rest of the country but without strong leadership on the key issues facing our county; our next few decades will not be as successful as our last few decades. Personally, I think we are up to the challenge and I look forward to working with our citizens, the business community and the Board of Supervisors to keep Fairfax County the best place in the country to live, work, play and raise a family.

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